

**Orthodox Presbyterian Church  
Committee on Ministerial Care**

“Should Ministers Opt Out of Social Security?”

Ministers of the gospel and other clergy and religious workers are granted a unique opportunity to claim an exemption from self-employment taxes, and thus to avoid participation in what is commonly called the Social Security system. The merits of “opting out” have been a source of debate for many years. As we will see, this exemption is voluntary, must be made early in a minister’s career, is irrevocable once made, and can have significant financial consequences for the minister, his wife, potentially his children and quite possibly for the wider church. The basis for an Orthodox Presbyterian minister to claim this exemption must be convictions he holds in his conscience before God. This paper is intended primarily for those just beginning their ministerial labors that are looking for help in making an informed decision as to whether they should opt out of Social Security. In part one, we will review the nature of the exemption. In part two, we will consider arguments for remaining in Social Security. In part three, we will consider why a man might feel compelled to claim the exemption and opt out of Social Security.

**I. The Provision for Opting Out of Social Security**

The Internal Revenue Service has made provision for people in some religious orders and those with certain religious convictions to opt out of the Social Security system of retirement and disability benefits. Specifically, the provision reads, *“I certify that I am conscientiously opposed to, or because of my religious principles I am opposed to, the acceptance (for services I perform as a minister, member of a religious order not under a vow of poverty, or Christian Science practitioner) of any public insurance that makes payments in the event of death, disability, old age, or retirement; or that makes payments toward the cost of, or provides services for, medical care. (Public insurance includes insurance systems established by the Social Security Act.)”* There are other affirmations that a minister must make by signing the form, such as informing his ordaining body that he has taken the exemption. But the provision quoted is the substance of the exemption. If a minister intends to use this exemption, he must file IRS Form 4361, on which the provision is printed. Those who opt out are not required to pay into the Social Security system via self-employment taxes that would otherwise be withheld from their salary.

It is important to note several qualifying and defining matters in connection with the exemption. One, the opt-out provision is available only to those who are ordained by their religious orders or churches. Two, it applies only to their ministerial income. Any income earned in any other type of work, before, during, or after the ordained ministerial service, may not be exempted from the Social Security system and its withholding taxes. Three, it is not required for ministers to opt out of Social Security. Four,

once a minister has claimed the exemption and opted out of the Social Security system for his ministerial income, he cannot reverse the decision and opt back in; the exemption is permanent. Five, and perhaps most important, once the exemption is claimed, the minister will receive no Social Security system benefits on the basis of his ministerial income: no Social Security retirement payments, no Medicare coverage, no disability payments if he becomes disabled prior to normal retirement age. This exemption, then, is an exemption from paying into the Social Security system by withholdings from salary; but it is also an exclusion from receiving the benefits that the Social Security system provides to those who pay into it.

## **II. An Argument for Remaining in Social Security**

The decision on whether to opt out is supposed to be made solely on the basis of a man objecting to the acceptance of these benefits because he is conscientiously opposed or he is opposed because of religious principles. No other factors should be considered. In other words, one may indeed suspect that Social Security will provide an inferior investment return, or that the entire system will become insolvent, but those are not permissible reasons to request the exemption. And yet experience with Orthodox Presbyterian ministers shows that financial considerations have often played a part in this decision.

Also, when a young minister becomes convinced of a matter with such far-reaching consequences, it would seem reasonable that he seek the counsel of older ministers who have considered the same matter over many years and have seen its real-world impact. Another factor to consider is that when a man's convictions may lead to outcomes that have the potential to harm others in the household of faith financially, or might contribute to dissension within the church, such convictions should be examined with particular care.

### **II. A. Unfortunate Timing**

Unfortunately, the decision to opt out of Social Security must be made early in a man's ministry (by the due date of his tax return, including extensions, for the second year in which he has at least \$400 of net earnings from self-employment, any of which came from ministerial services). As noted, under current law this decision is irreversible. The reality is that for many men, this decision must be made during a period of great financial pressure as they cope with student loans, the financial obligations of raising a family, and, most significantly, what is often meager compensation in their first call.

The information on which the man is basing his decision may often, and quite naturally, have been gleaned from his peer group of fellow seminary students, with little or no advice from older men. Perhaps most sobering, in our presbyterian form of government, his decision may bring hardship and dissension many decades later in a particular church and a presbytery which might have counseled against his opting out but had no say in the matter. It is not a foregone conclusion that a man's

decision to opt out will leave him ill-prepared for retirement and create a diaconal burden on others, but the Committee on Ministerial Care (CMC) is concerned that this seems to be a common outcome.

## **II. B. The Exemption and the OPC**

So why is this exemption even offered? Are we to conclude that the government's provision of a Social Security exemption was ill conceived? Not necessarily. First, there are religious orders that provide lifetime care for their members, making Social Security benefits superfluous. Second, there are denominations and sects that are theologically opposed to insurance of all types, making it appropriate for the government to accommodate those beliefs. Third, there are ministers who are conscientiously opposed to the government's involvement in providing benefits in connection with their ministerial service and income. But note carefully from the General Instructions of Form 4361:

*“If you are a duly ordained, commissioned, or licensed minister of a church or a member of a religious order not under a vow of poverty, prior to filing this form you must inform the ordaining, commissioning or licensing body of your church or order that, on religious or conscientious grounds, you are opposed to the acceptance of public insurance benefits based on ministerial service.”*

In a denomination that prides itself on strong presbyteries and limited denominational structures, the OPC minister has no national-level entity with the authority to ratify his course of action and ensure his future financial wellbeing. While he would satisfy Form 4361's instructions by informing his presbytery, the great likelihood is that he will be a member of a different presbytery by the time he reaches his 60's or 70's. Even if he remains in the same presbytery throughout his ministry, his widow may elect to move elsewhere following his death to be closer to family. With the diaconal needs of ministers and their widows falling first on the local congregation and secondly on the presbytery diaconal committee, the man's informing the original licensing body might have no bearing on those who later find themselves obligated for his support. Due to the unique circumstances in the OPC for caring for retired ministers, it should give a minister pause as he considers opting out of social security.

## **II. C. Acknowledging the Various Roles of the State in the Church**

But what of the man who is concerned that the provision by the federal government of retirement or insurance benefits to a minister in connection with his work as a minister is an inappropriate incursion by the state into the affairs of the church? As mentioned previously, some ministers opt out of social security for reasons of conscience because they believe the state should not be involved specifically in the matter of their ministerial service and support (more on this argument in the third section). It is worth noting, however, that in general there are a number of ways the state is already involved in the concerns of ministers and the church. Opting out of social security will not change the broader fact that the state involves itself in church affairs.

For example, the state claims to have a say in how we use our church property, through zoning ordinances, building codes and health department regulations. The Fire Marshall regulates how many worshippers are in the sanctuary and what we store in the furnace room. In many states, our ministers are “mandatory reporters” in the eyes of the Department of Family Services, and our nursery workers may be subject to background checks. The list could go on.

Most of these are areas for which the church could regulate itself, and yet there seems to be widespread acceptance that many, if not all, of these are areas in which the state is promoting the common good and exercising a legitimate interest in protecting the lives, well-being and property of its citizens.

The question to be considered, then, is would it not be better to accept the Social Security system as just one more imperfect yet legitimate attempt by our government to provide for its citizens, at least as long as its hand is not unduly heavy nor opposed to the cause of Christ? Unless there is a specific matter of conscience, is there adequate warrant for a minister to oppose the government’s involvement in the provision of retirement and insurance benefits while tacitly accepting its involvement in so many other areas?

#### **II. D. Financial Implications**

Let us turn then to the financial ramifications of opting out. At the very least, this will give us a measure of what the minister needs to save on his own and, should he not adequately do so, of the future potential costs to the church. In addition to examining his conscience, understanding the benefits of the Social Security system will help the young minister think carefully before irrevocably turning away those benefits.

First, the “common knowledge” that the Social Security system is in financial trouble and may become insolvent one day flies in the face of political reality. Senior citizens are the most reliable voting bloc in the country, and every politician knows that allowing Social Security to fail is untenable. It is for good reason that this topic is considered “the third rail” of politics. Yes, there may be future reduction in benefits, but that would likely take the form of “means testing,”-where the well-off retiree with substantial other sources of income receives less from Social Security. But even should such reforms pass, they would affect the well-to-do, not the typical OPC minister.

Second, one might ask if Social Security is a “good deal”? Might not a man do better by making his own investments? It is easy enough to hypothesize that putting money into an IRA and investing in low-cost mutual funds might build up a bigger balance and thus provide a greater level of income at retirement. And indeed, it might. However, the Social Security system is much more than a

retirement income payment. The Social Security system may also provide disability payments, survivor payments for a family and significant reductions in the cost of Medicare.

- (1) Disability Benefits:** If you have paid Social Security taxes (FICA or FUTA) for the required number of quarters, which varies by age, and you become disabled and are unable to work, you may qualify for monthly income payments. The same is true for your spouse and your children under certain circumstances. For more information, visit [www.ssa.gov](http://www.ssa.gov). If neither the minister nor his wife is contributing to Social Security, they should consider obtaining private disability insurance.
- (2) Survivor Benefits:** If a minister dies during his working years and has paid into Social Security during the three years prior to his death, his wife is entitled to a monthly check until her youngest child reaches age 17, and each child is entitled to a check until he or she reaches age 18 (19 if a full-time student), and the spouse will be entitled to a retirement income benefit later in life, even if she never paid into Social Security herself. The present value of these benefits could easily exceed \$300,000. In addition to the other reasons for maintaining life insurance (retiring or a mortgage or other debt, paying for children's education, etc.) a minister opting out of Social Security should obtain at least an additional \$300,000 of life insurance to offset the loss of these survivor benefits.
- (3) Retiree Health Insurance:** Medicare is the foundation of the health care system for U.S. retirees. Past age 65, most U.S. citizens have their health care costs met through a combination of Medicare insurance and a Medicare supplement policy. If neither the minister nor his wife have paid into Social Security, beginning at age 65 they will pay almost \$11,000/year for Medicare Part A (hospitalization) alone, while the minister who participated in Social Security obtains this coverage for both he and his spouse at no cost. The minister who does not have Medicare as his primary health insurance at retirement will find it difficult and costly to find alternate means of paying for the medical care that he and his wife are likely to need for the rest of their earthly lives.
- (4) Retirement Income:** A minister who participates in Social Security is eligible to begin receiving retirement income payments as early as age 62, and his wife will receive her own benefit equal to 50% of his payment even if she has never paid Social Security taxes. If she has worked and paid into Social Security herself, she may qualify for a higher benefit based on her own earnings record. Whichever spouse dies first, the survivor will receive the higher of their own benefit or the amount their spouse had been receiving, and this will continue for the rest of his or her life. Once again, the present value of this future stream of income is not insignificant. For a minister retiring in 2020 at age 66 with a final taxable salary of \$50,000, the combined retirement benefits which he and his non-working spouse are eligible for would be equivalent to a lump sum of \$400,000-\$500,000,

depending on how long the two of them live. For ministers with higher salaries, this amount could be \$1 million or more.

It is widely acknowledged that Social Security retirement benefits alone are insufficient to support a couple in their retirement, so these benefits should be supplemented by withdrawals from one's own retirement savings (IRA, 401(k), 403(b), etc.). Most financial advisors recommend that these private savings would equal \$250,000 or more for a couple able to live very modestly throughout retirement. So to evaluate the merits of Social Security another way, the man who "stayed in" should arrive at retirement with a nest egg of at least \$250,000 while his seminary classmate who opted out should have at least \$750,000. To the extent that he doesn't, he or his widow are likely to become a financial burden on their children, and quite possibly a diaconal burden on the church, later in life.

### **III. An Argument for Opting Out of Social Security**

If opting out of Social Security brings with it several large disadvantages, why would any minister want to opt out? The key to answering that question lies in a particular requirement in the IRS provision for the exemption, quoted above. It requires that the minister be "conscientiously opposed to" or have "religious principles" against governmental insurance payments in connection with his ministerial service, therefore with the income his service brings him. What this means for the evangelical and Reformed minister is that there must be biblical principles which, he is convinced, prevent him from accepting or allowing government retirement and retirement-related payments in connection with his ministerial income.

Most Reformed ministers who opt out due to conscientious opposition find the grounds for this in their conviction that the Bible prevents government involvement in their ministerial service, and requires that the church provide for her ministers throughout their lives, even in retirement. The second of these principles is often drawn from passages such as Numbers 8:23-26 and Deuteronomy 14:27-29 regarding Israel's responsibility to ensure that the Levites were allowed to retire from their difficult service and were supported throughout their lifetimes. As this is applied by the principle of continuity between Old and New Testaments, it is believed that the New Testament church should accord the Lord's ministers the same considerations as the Lord's priests received for their service in the tabernacle. The first of the principles of conscientious opposition is drawn from the conviction that the biblical relation between church and state forbids governmental involvement or intrusion in, or oversight or support of, the church's ministry of the word and sacraments. Therefore, the government has no right to provide retirement, medical, or disability support any more than it has any right to provide salary support of a minister in Christ's church. The conviction is that the church has sole and full responsibility to provide for her ministers throughout their lives. This does not prevent the use of private, rather than "public" (i.e., governmental, in the IRS's meaning of the exemption's

terminology) savings and investment vehicles as part of good planning for the church and the minister himself to have sufficient resources available for retirement, medical care or disability income.

But the other side of understanding and meeting the IRS requirement is what “conscientiously opposed” implies. It must be a matter of biblical conviction, in which a man’s conscience would be violated if he accepted government payments for retirement, etc., based on his ministerial service in Christ’s church. He must be convinced that it would be sin for him to do so, regardless of whether other men have a different view or opinion of it than he does. If he believes these principles and his position are drawn from God’s word, then it is his conviction, and his conscience is bound. He needs to hold that conviction even if it works to his earthly disadvantage or hurt. Unless one can convince the man *from Scripture* that his conviction is wrong or sinful, he must continue to hold his conviction and not violate his conscience. For the Reformed minister, this is the implication of the IRS requirement for him to be allowed to claim the exemption and opt out of the Social Security system for ministerial income.

One could raise the objection that one must be opposed to all types of governmentally supplied benefits in all circumstances in order to opt out of them in good conscience. However, while some Christians and some ministers may hold that opinion, it is not required in order for a minister to claim the social security exemption, because the exemption is *only* on ministerial service and income. With the view of the relationship between church and state that reflects the position outlined above, one need not be opposed to all types of government benefits, or to retirement and medical benefits in order to be opposed to the government’s providing them to the minister for his ministerial labors and the income associated with it. He can be quite content with the government’s involvement in providing those benefits to those who work in the economy outside of the church. He may even himself have access to and receive Social Security benefits for work he has done outside the bounds of the church before, during, or after the time of his ministry. He can still believe—conscientiously—that the Bible not only excludes the government’s involvement in the church’s operations, but also commands the church to provide for her ministers.

Finally, as we have noted, one might object that the absence of Social Security retirement and medical benefits will put too great a burden on the church to provide full retirement benefits for the minister; the minister may become a diaconal burden and drain the church of resources that should be used elsewhere. However, this does not happen due to the absence of Social Security benefits, or due to the minister’s conviction, or due to the church’s inability. It happens due to bad planning for the minister’s retirement, whether by the church at large, or the calling congregation, or the minister himself. By solving these problems, the minister will not become a diaconal burden on the church. Besides, as stated above, even if there is such a risk, the minister, just like any other Christian, must hold to his convictions and not violate his conscience, even if it results in reduced circumstances in retirement.

## **Conclusion**

IRS Form 4361 is a short, simple document requiring only one signature, yet few things in a new minister's life could have more far-reaching financial ramifications. By presenting both sides of this issue, the Committee on Ministerial Care acknowledges that there are different convictions, not just opinions, on this issue. It should be understood that the remarks and reasoning in this paper are not intended to cast aspersions, call motives into question, or make accusations against anyone on either side of this debate. While it is each minister's responsibility to examine his heart's motives carefully and make his decision wisely, the church also bears the significant responsibility of compensating her ministers generously, so that whether a man has opted out or not, adequate provision can be made for the future needs of each minister and his family. May God grant us all wisdom and discernment as we face such decisions.

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