

CASE STUDY: TAX COMPLIANCE, BUSINESS STRUCTURE, AND RISK MANAGEMENT OF DR. MK SWAMI SELF-EMPLOYMENT

INTRODUCTION AND BACKGROUND

This case study examined the situation of Dr. MK Swamy, a Hindu priest (hereafter referred to as priest), who served dual roles in his professional religious life. In his primary capacity, he worked as an employed priest at a local temple, receiving regular wages and benefits through that employment relationship. However, he also provided independent religious services to members of his faith community outside the temple setting.

These outside services included performing traditional Hindu ceremonies such as housewarming blessings, birthday and wedding ceremonies, anniversary celebrations, and various other spiritual rites. The priest had undergone years of specialized training to perform these sacred duties, and his services were deeply valued by his community. He traveled up to 100 miles from the temple to serve devotees at their homes, using his personal vehicle for transportation.

The financial arrangement for these outside services operated on a traditional Hindu Dakshina model, where devotees offered voluntary payments based on their personal capacity and their assessment of the service's value. The priest had never established fixed fees, viewing his work as a spiritual calling rather than a commercial enterprise.

Over time, however, practical concerns had emerged. The priest had noticed substantial costs accumulating from vehicle wear, fuel expenses, and supplies used in rituals. He had been using the income from these services to pay his mortgage and cover regular household expenses. Recently, he became aware that there might be tax implications he had not properly addressed. He was concerned about potential issues with tax authorities and wanted to establish proper accounting practices without creating an overly complex administrative burden.

Additionally, the priest had expressed concern about protecting his wife, who was a homemaker, in the event he was injured or killed while traveling to perform services far from home.

ORGANIZATIONAL STRUCTURE OPTIONS

The priest had several organizational structures available to him for managing his independent religious service income. Each came with distinct characteristics, advantages, and limitations.

Sole Proprietorship

A sole proprietorship represented the simplest and most common structure for individuals earning self-employment income. Under this arrangement, the priest would report his outside religious service income directly on his personal tax return using Schedule C (Profit or Loss from Business) attached to his Form 1040. No formal registration was required to operate as a sole proprietor, though he could choose to file a "doing business as" name with the county clerk if he wished to operate under a name other than his own.

The advantages of this structure included minimal paperwork, no formation costs, complete control over business decisions, and straightforward tax filing. The priest would simply track his income and deductible expenses and report the net profit or loss on his personal return. This aligned well with his stated preference for avoiding complicated record keeping systems.

The primary disadvantage was that a sole proprietorship offered no liability protection. The priest's personal assets would be exposed to any claims arising from his services. Additionally, all net earnings were subject to self-employment tax, which covered Social Security and Medicare contributions.

Single-Member Limited Liability Company

A single-member LLC provided a middle-ground option that offered liability protection while maintaining tax simplicity. In Texas, forming an LLC required filing a Certificate of Formation with the Secretary of State and paying the associated filing fee. The LLC also had to comply with the state's annual franchise tax requirements.

For federal tax purposes, a single-member LLC was treated as a "disregarded entity" by default, meaning the priest would still report income and expenses on Schedule C, just as with a sole proprietorship. However, the LLC structure created a legal separation between his personal assets and any liabilities arising from his religious service activities.

The advantages included personal asset protection, flexible management, and the option to elect different tax treatment in the future if circumstances changed. The disadvantages included formation and ongoing maintenance costs, annual state reporting requirements, and the need to maintain separation between personal and business finances to preserve liability protection.

S Corporation

An S Corporation was a more formal structure that could offer tax advantages for individuals with higher self-employment income. This option required incorporating in Texas and then filing IRS Form 2553 to elect S Corporation status. The priest would become an employee of his own corporation and pay himself a reasonable salary.

The potential tax advantage arose because only the salary portion was subject to employment taxes, while remaining profits distributed as dividends were not subject to self-employment tax. However, this structure introduced significant complexity, including requirements for payroll processing, corporate tax returns, and maintaining corporate formalities.

Given the priest's stated preference for simplicity and the relatively modest and variable nature of his income, an S Corporation would likely have represented more administrative burden than benefit for his situation.

COMPARATIVE ANALYSIS OF STRUCTURES

When evaluating these options against the priest's specific needs and preferences, several factors emerged as decisive.

The sole proprietorship offered the simplest path forward. The priest already had reportable self-employment income, and formalizing his record keeping under this structure required no government filings or fees. He would need to obtain an Employer Identification Number from the IRS if he did not already have one, though he could also use his Social Security number. He would track income received from devotees, record deductible expenses such as mileage, vehicle maintenance, and ritual supplies, and report the net amount on his annual tax return. This structure directly addressed his concern about tax compliance without creating administrative complexity.

The single-member LLC added liability protection at a modest cost. If the priest was concerned about potential claims arising from his services, perhaps from an accident at a devotee's home or a dispute over services rendered, the LLC would shield his personal assets including his home and savings. Texas LLCs had to file an annual franchise tax report, though small businesses often owed no tax due to exemptions and deductions. The annual report requirement added minimal burden.

The key question became whether the liability protection justified the additional cost and administrative requirements. Given that the priest was providing spiritual services with low inherent risk of third-party injury claims, and that professional liability insurance might address these concerns more cost-effectively, the sole proprietorship might well have been sufficient for his needs.

TEXAS REGULATORY REQUIREMENTS

Texas imposed relatively few regulatory burdens on small service businesses, making it a favorable state for the priest's situation.

For a sole proprietorship, Texas required no state-level registration unless the priest operated under an assumed name. If he wished to use a business name such as "Vedic Blessings Ministry" or similar, he would file an Assumed Name Certificate with the county clerk's office in the county where he conducted business. The fee varied by county but was typically nominal.

If the priest chose to form an LLC, he had to file a Certificate of Formation with the Texas Secretary of State. The filing fee was \$300. The certificate had to include the company name, which had to include "Limited Liability Company" or an abbreviation, the registered agent and office address in Texas, the organizer's name and address, and whether the LLC would be member-managed or manager-managed.

All Texas LLCs and corporations had to file an annual franchise tax report with the Texas Comptroller of Public Accounts. The report was due May 15 each year. However, businesses with total revenue below the no-tax-due threshold, which was \$2.47 million for reports due in 2025, were not required to pay franchise tax, though they still had to file the report. Given the scale of the priest's activities, he would almost certainly have fallen below this threshold.

Texas did not impose a state income tax, which simplified the priest's tax situation considerably. His state-level obligations would be limited to the annual franchise tax report if he formed an LLC, or essentially nothing beyond general business compliance if he operated as a sole proprietor.

The priest should also have considered whether his activities required any local permits. Most Texas municipalities did not require licensing for religious or spiritual services, but he might have wished to verify requirements with the city or county where he resided. If he performed services in multiple jurisdictions, he should have confirmed that no local registration requirements applied.

FEDERAL TAX IMPLICATIONS

Regardless of which organizational structure the priest selected, he had a legal obligation to report all income from his religious services to the Internal Revenue Service. The voluntary nature of the payments did not exempt them from taxation. Under federal tax law, compensation for services rendered was taxable income, even when the amount was determined by the recipient rather than set by the provider.

As a sole proprietor or single-member LLC, the priest would report his income and expenses on Schedule C, which flowed through to his Form 1040. The net profit from Schedule C was then subject to both regular income tax at his marginal rate and self-employment tax.

Self-employment tax stood at 15.3 percent of net self-employment earnings, comprising 12.4 percent for Social Security and 2.9 percent for Medicare. This represented both the employer and employee portions of these payroll taxes, which would normally be split between an employer and employee in a traditional employment relationship. The priest could deduct half of his self-employment tax when calculating his adjusted gross income.

The priest could reduce his taxable income by claiming legitimate business deductions. The most significant deduction available to him was likely the business use of his vehicle. He had two options for calculating this deduction. Under the standard mileage method, he would track the miles driven for religious services and multiply by the IRS standard mileage rate, which was 72.5 cents per mile for 2026. Under the actual expense method, he would track all vehicle expenses including gas, insurance, repairs, and depreciation, then calculate the business-use percentage based on miles driven for services versus total miles driven. The standard mileage method was simpler and often more advantageous for older vehicles.

Other deductible expenses included supplies used in rituals such as flowers, incense, oils, and other items consumed during ceremonies, books or materials related to his religious training, communication expenses related to scheduling services, and a portion of his mobile phone bill if used for business. If he used a dedicated space in his home for business activities such as storing supplies or conducting administrative tasks, he might have qualified for the home office deduction, though this required meeting strict IRS requirements for regular and exclusive business use.

The priest should have maintained contemporaneous records of all income and expenses. For income, he should have noted the date, amount received, name of the devotee if appropriate, and type of service performed. For expenses, he should have kept receipts and maintained a mileage log documenting the date, destination, purpose, and miles driven for each service call.

If the priest expected to owe more than \$1,000 in federal tax including both income and self-employment tax, he should have made quarterly estimated tax payments using Form 1040-ES. Failure to make adequate estimated payments could result in penalties. The due dates for estimated payments were April 15, June 15, September 15, and January 15 of the following year.

PROTECTION FOR THE PRIEST'S FAMILY

The priest's concern about protecting his wife in the event of an accident while traveling to perform services was both practical and important. Several forms of protection could address this concern.

Term life insurance provided a straightforward mechanism to ensure financial security for the priest's wife if he were to die unexpectedly. A term policy paid a death benefit to the named beneficiary, typically tax-free, which could replace lost income and cover ongoing expenses. Term insurance was relatively inexpensive, particularly for healthy individuals, and the priest could select a coverage amount and term length that matched his family's needs. A policy equal to ten times his annual income was a common guideline, though his specific circumstances might have warranted more or less coverage.

If the priest was injured and unable to work, disability insurance would replace a portion of his lost income. Short-term disability policies typically covered injuries that prevented work for a few weeks to several months, while long-term disability policies provided benefits for more extended periods or until retirement age. Since the priest relied on income from both his temple employment and his independent services, he should have considered coverage that addressed both income streams. Some employers provided disability coverage as a benefit, so he should have reviewed what the temple offered before purchasing additional coverage.

Given that the priest drove extensively for his religious services, adequate automobile insurance was essential. He should have verified that his policy covered business use of his vehicle, as many personal auto policies excluded or limited coverage when a vehicle was used for commercial purposes. If his policy did not cover business use, he might have needed to add an endorsement or obtain a commercial auto policy. He should also have ensured he carried sufficient liability coverage and considered adding uninsured or underinsured motorist coverage to protect against accidents caused by drivers with inadequate insurance.

An umbrella policy provided additional liability coverage beyond the limits of his auto and homeowner's insurance. If the priest were found liable for a serious accident, an umbrella policy would cover damages exceeding his primary policy limits. This protection was relatively inexpensive given the coverage amounts involved.

Beyond insurance, the priest should have ensured basic estate planning documents were in place. A will directed how his assets should be distributed upon his death. A durable power of attorney allowed his wife to manage financial affairs if he became incapacitated. A medical power of attorney and living will addressed healthcare decisions if he could not make them himself. These documents ensured his wife could act on his behalf and that his wishes were carried out.

RECOMMENDATIONS

Based on the analysis presented in this case study, the following recommendations were offered for the priest's consideration.

First, the priest should have begun by formalizing his record keeping practices immediately. He should have established a simple system to track all income from religious services and all related expenses, with particular attention to maintaining an accurate mileage log. A basic spreadsheet or notebook was sufficient for this purpose.

Second, for organizational structure, the sole proprietorship was likely the most appropriate choice given his stated preference for simplicity, the modest and variable nature of his income, and the relatively low liability risk associated with his services. He should have begun reporting his self-employment income on his next tax return using Schedule C.

Third, he should have calculated whether he owed estimated taxes for the current year and begun making quarterly payments if required to avoid penalties.

Fourth, he should have reviewed his automobile insurance policy to confirm coverage for business use of his vehicle and increased coverage limits if necessary.

Fifth, he should have obtained term life insurance naming his wife as beneficiary, with coverage sufficient to replace his income and cover family expenses for an appropriate period.

Sixth, he should have considered disability insurance to protect against income loss from injury.

Seventh, he should have met with an estate planning attorney to prepare or update basic documents including a will, powers of attorney, and healthcare directives.

If the priest later determined that liability protection was a significant concern, he could have revisited the decision to form an LLC at that time. The transition from sole proprietorship to LLC was straightforward and could be accomplished whenever circumstances warranted.

The priest's situation was common among individuals who provided services to their communities alongside regular employment. The income from these services was taxable and should have been properly reported, but establishing compliance need not have been burdensome. A sole proprietorship structure, combined with diligent record-keeping and appropriate insurance coverage, addressed his tax

concerns while protecting his family from financial hardship in the event of an accident. The path forward was clear, manageable, and consistent with both his practical needs and his spiritual calling.

QUESTIONS AND ANSWERS

1. What are the primary organizational structures available to the priest for managing his independent religious service income, and what are the key differences between them in terms of formation, liability, and administrative requirements?

The priest has three primary organizational structures available to him, each representing a different balance between simplicity and protection. Understanding these options requires familiarity with several foundational business concepts.

The first and simplest option is a **sole proprietorship**. A sole proprietorship is not a separate legal entity but rather the default classification for any individual who earns income from providing services or selling goods outside of traditional employment. The term "sole" indicates single ownership, and "proprietorship" refers to the ownership of a business. When someone operates as a sole proprietor, they and their business are legally considered the same entity. This means the business has no existence apart from the owner.

Formation of a sole proprietorship requires no government filings, no registration fees, and no formal documentation. The moment the priest begins accepting payment for his religious services outside the temple, he is technically operating as a sole proprietor whether he realizes it or not. The simplicity of this structure makes it attractive for individuals who want minimal paperwork. However, this simplicity comes with a significant trade-off regarding **liability**, which refers to legal responsibility for debts, obligations, or damages. In a sole proprietorship, the owner has **unlimited personal liability**, meaning that if someone sues the business or the business incurs debts it cannot pay, the owner's personal assets—including their home, savings accounts, and other property—can be seized to satisfy those obligations. There is no legal wall separating business problems from personal finances.

The second option is a **Limited Liability Company**, commonly abbreviated as LLC. An LLC is a formal business structure recognized by state law that creates a legal separation between the business and its owner. The phrase "limited liability" is the key feature: it means the owner's personal assets are generally protected from business debts and lawsuits. If someone sues the LLC, they can only pursue the assets owned by the LLC itself, not the owner's personal property. This protection is sometimes described as a **corporate veil**, a metaphor suggesting an invisible barrier between the business and its owner.

When an LLC has only one owner, it is called a **single-member LLC**. The term "member" in LLC terminology means owner. Formation of an LLC requires filing official paperwork with the state government, specifically the Secretary of State's office, and paying a filing fee. In Texas, this document is called a **Certificate of Formation**, and the fee is currently \$300. The LLC must also designate a **registered agent**, which is a person or company authorized to receive legal documents on behalf of the LLC. This agent must have a physical address in Texas.

The administrative requirements for an LLC are more substantial than for a sole proprietorship. The owner must keep business finances separate from personal finances, which means maintaining a separate bank account and avoiding mixing business and personal expenses. This separation is crucial because if the owner treats the LLC's money as their own personal funds, a court may decide to **pierce the corporate veil**, a legal doctrine that allows creditors to bypass the liability protection and pursue the owner's personal assets. The LLC must also file annual reports with the state and comply with the **franchise tax**, which is a tax Texas imposes on businesses for the privilege of operating in the state. Although many small businesses owe no actual franchise tax due to exemptions, they must still file the required reports.

The third option is an **S Corporation**. A corporation is a more formal business entity that is legally considered a "person" separate from its owners. The "S" designation refers to Subchapter S of the Internal Revenue Code, which allows certain corporations to pass their income directly to shareholders without being taxed at the corporate level. This avoids **double taxation**, a situation where corporate profits are taxed once at the corporate level and again when distributed to shareholders as dividends.

To form an S Corporation, the priest would first need to **incorporate**, meaning he would file formation documents with the state to create a corporation, and then file **Form 2553** with the Internal Revenue Service to elect S Corporation tax treatment. The priest would become an employee of his own corporation, receiving a salary subject to **payroll taxes**, which are taxes withheld from employee wages to fund Social Security and Medicare. The corporation would need to file its own tax return annually, maintain corporate records, hold meetings, and observe various **corporate formalities**, which are procedural requirements that help maintain the legal separation between the corporation and its owners.

For the priest's situation, where income is modest and variable and simplicity is a priority, the sole proprietorship offers the most practical starting point, with the single-member LLC serving as a reasonable alternative if liability protection becomes a concern.

2. What are the federal tax obligations associated with the priest's independent religious service income, and how does self-employment taxation differ from the taxation of regular wages?

The priest's income from providing religious services outside the temple is subject to federal income tax regardless of the organizational structure he chooses and regardless of the fact that payments are made voluntarily by devotees. Under the **Internal Revenue Code**, the body of federal tax law in the United States, all compensation received for services rendered constitutes **gross income** and must be reported to the government. The voluntary or donation-like nature of the payments does not create an exemption; the priest is providing services and receiving payment for those services, which makes the income taxable.

The priest would report this income using **Schedule C**, officially titled "Profit or Loss from Business (Sole Proprietorship)." Schedule C is a tax form that attaches to the individual's **Form 1040**, which is the standard federal income tax return filed by individuals. On Schedule C, the priest would list all income received from his religious services during the tax year, then subtract allowable **business deductions**,

which are expenses that the tax code permits taxpayers to subtract from their gross income to arrive at their taxable income. The result is the **net profit** (or net loss if expenses exceed income), which flows through to Form 1040 and becomes part of the priest's total taxable income.

The taxation of self-employment income differs significantly from the taxation of wages earned as an employee, primarily due to the **self-employment tax**. To understand this tax, one must first understand how Social Security and Medicare are funded. These programs are financed through **payroll taxes** collected under the **Federal Insurance Contributions Act (FICA)**. When someone works as an employee, FICA taxes are split between the employee and the employer. The employee pays 7.65 percent of their wages (6.2 percent for Social Security and 1.45 percent for Medicare), and the employer pays a matching 7.65 percent. The employee sees their portion withheld from each paycheck, while the employer's portion is an additional expense the employer pays directly to the government.

When someone is self-employed, there is no employer to pay the matching portion. The self-employed individual must pay both halves, resulting in a total self-employment tax rate of 15.3 percent on net self-employment earnings. This tax is calculated on **Schedule SE**, which accompanies the tax return. The self-employment tax is in addition to regular income tax, which means the priest's net profit is taxed twice: once under the self-employment tax to fund Social Security and Medicare, and again under the regular income tax at the priest's **marginal tax rate**, which is the tax rate applied to the last dollar of income earned. As a partial offset, the tax code allows self-employed individuals to deduct one-half of their self-employment tax when calculating **adjusted gross income (AGI)**, which is gross income minus certain allowed deductions.

The priest can reduce his taxable self-employment income by claiming legitimate business deductions. One of the most valuable deductions available to him is for business use of his personal vehicle. The IRS provides two methods for calculating this deduction. The **standard mileage method** allows taxpayers to multiply their business miles driven by a rate set annually by the IRS (72.5 cents per mile for 2026). This method is simple and requires only a **mileage log**, which is a record documenting the date, destination, business purpose, and miles driven for each trip. The **actual expense method** requires tracking all vehicle-related costs—including gasoline, insurance premiums, repairs, maintenance, and **depreciation**, which is an accounting concept representing the gradual loss of value in an asset over time—and then calculating what percentage of total vehicle use was for business purposes.

Other deductible expenses include supplies consumed during religious ceremonies, reference materials related to his training, and a portion of his mobile phone expenses if the phone is used for scheduling services. If the priest maintains a dedicated space in his home used regularly and exclusively for business activities, he may qualify for the **home office deduction**, though this deduction has strict requirements.

Finally, the priest must be aware of **estimated tax payments**. Unlike employees who have taxes withheld from each paycheck, self-employed individuals must pay taxes throughout the year in quarterly installments using **Form 1040-ES**. If the priest expects to owe \$1,000 or more in federal tax when he files his return, he is generally required to make these payments. Failure to pay adequate estimated taxes can result in **underpayment penalties**, which are charges imposed by the IRS for failing to pay taxes when due. The quarterly due dates are April 15, June 15, September 15, and January 15 of the following year.

3. **What are the regulatory requirements in the State of Texas for establishing and maintaining a business structure for the priest's independent services, and how does the absence of a state income tax affect his overall tax planning?**

Texas is widely regarded as a business-friendly state due to its relatively minimal regulatory requirements and, most notably, its lack of a state personal income tax. Understanding the Texas regulatory environment requires examining both what is required and what is notably absent compared to other states.

For a sole proprietorship, Texas imposes virtually no state-level registration requirements. The priest can operate his independent religious services without filing any documents with the state, obtaining any licenses, or registering with any agency—provided he operates under his own legal name. If, however, he wishes to operate under an **assumed name** (sometimes called a "doing business as" name or DBA), he would need to file an **Assumed Name Certificate** with the county clerk's office in the county where he conducts business. An assumed name is simply a business name that differs from the owner's legal name. For example, if the priest's name is Rajesh Sharma but he wants to market his services as "Sacred Blessings Ministry," he would need to file this certificate. The filing fee varies by county but is typically modest, ranging from \$15 to \$25 in most Texas counties. This certificate does not create a separate business entity; it simply provides public notice that the individual is conducting business under that name.

If the priest chooses to form an LLC, the regulatory requirements become more substantial. He must file a **Certificate of Formation** with the Texas Secretary of State, the state official responsible for maintaining business records and overseeing business filings. The certificate must include several pieces of required information: the LLC's name (which must include the words "Limited Liability Company" or an abbreviation such as "LLC"), the street address of the LLC's initial **registered office** in Texas, the name and address of the initial **registered agent** (who must be either a Texas resident or a business entity authorized to serve as an agent in Texas), the name and address of each **organizer** (the person or persons forming the LLC), and a statement indicating whether the LLC will be **member-managed** (meaning the owners directly manage daily operations) or **manager-managed** (meaning the owners appoint managers to handle operations). The current filing fee is \$300.

Once formed, the LLC becomes subject to the **Texas franchise tax**, which is a tax imposed on most businesses operating in Texas. Despite its name, the franchise tax is not related to business franchises in the common sense of the word; rather, it is a **privilege tax**, meaning it is imposed for the privilege of doing business in the state. The franchise tax is based on a company's **margin**, which is calculated using the company's total revenue minus certain deductions. However, Texas provides significant relief for small businesses. Businesses with total revenue below the **no-tax-due threshold** (currently \$2.47 million) do not owe any franchise tax. Additionally, businesses with revenue below \$20 million can use a simplified **EZ Computation** method. Given that the priest's outside income likely amounts to tens of

thousands of dollars at most, he would almost certainly owe no actual tax. Nevertheless, he would still be required to file an **annual franchise tax report** with the Texas Comptroller of Public Accounts, the state official responsible for collecting taxes and managing state finances. This report is due each year by May 15.

The absence of a state personal income tax in Texas significantly simplifies the priest's overall tax situation. In states that impose income tax—such as California, New York, or New Jersey—self-employed individuals must calculate and pay state income tax in addition to federal income tax, often requiring a separate state tax return with its own schedules and forms. They may also face state-level estimated tax payment requirements. Texas residents avoid this entire layer of complexity and expense. The priest's state-level obligations are limited to the annual franchise tax report if he forms an LLC, or essentially nothing beyond general compliance if he remains a sole proprietor.

The priest should also verify whether any **local regulations** apply to his activities. Texas follows a principle of **local control**, meaning cities and counties have authority to impose their own rules. Most Texas municipalities do not require licensing for religious or spiritual services, as these activities are generally protected under constitutional guarantees of religious freedom. However, some localities impose **home occupation permits** for businesses operated from residential properties, or **business registration requirements** for anyone conducting commerce within city limits. The priest should contact the city hall or county clerk's office where he resides to confirm no such requirements apply. If he regularly performs services in other cities, particularly larger municipalities, he may wish to verify those requirements as well, though enforcement of such rules against traveling religious practitioners is uncommon.

4. What insurance and estate planning mechanisms can the priest implement to protect his wife and family in the event of injury or death while traveling to perform religious services?

The priest's concern for his wife's financial security reflects prudent planning, particularly given that he regularly travels long distances in his personal vehicle to perform services. Several insurance products and legal documents can provide meaningful protection, each addressing different risks and scenarios.

Life insurance is the most direct mechanism for providing financial security to the priest's wife in the event of his death. Life insurance is a contract between an individual (the **policyholder** or **insured**) and an insurance company. The policyholder pays regular **premiums**, which are the periodic payments required to keep the policy in force. In exchange, the insurance company promises to pay a **death benefit**, which is a lump sum of money, to the **beneficiary** (the person designated to receive the payment) upon the policyholder's death.

The most appropriate type of life insurance for the priest's situation is **term life insurance**. Term insurance provides coverage for a specified period, such as 10, 20, or 30 years. If the policyholder dies during the term, the beneficiary receives the death benefit. If the policyholder survives the term, the coverage simply ends with no payout. Term insurance is distinguished from **whole life insurance** or **permanent life insurance**, which provides coverage for the policyholder's entire lifetime and includes a **cash value** component that accumulates over time. Term insurance is significantly less expensive than

permanent insurance because it provides pure death benefit protection without the savings component. For someone like the priest, whose primary goal is ensuring his wife has financial resources if he dies unexpectedly, term insurance offers the most cost-effective solution.

When determining how much coverage to purchase, financial advisors often recommend a death benefit equal to 10 to 12 times the insured's annual income. This amount, if invested conservatively, can generate ongoing income to replace the deceased's earnings. The priest should also consider outstanding debts, particularly his mortgage, as well as future expenses such as his wife's retirement needs. Many policies allow the policyholder to add **riders**, which are optional provisions that modify the base policy. A common example is the **accidental death rider**, which pays an additional benefit if death results from an accident, such as a car crash.

Disability insurance addresses a different risk: the possibility that the priest becomes injured and unable to work but does not die. Statistics indicate that a working-age adult is significantly more likely to experience a disabling injury than to die prematurely. Disability insurance provides **income replacement**, meaning it pays the policyholder a monthly benefit to partially replace lost earnings during the period of disability.

Disability policies come in two main varieties. **Short-term disability insurance** covers temporary disabilities lasting from a few weeks to several months, typically with a brief **waiting period** (also called an **elimination period**) of one to two weeks before benefits begin. **Long-term disability insurance** covers more serious disabilities that persist for extended periods, potentially until retirement age, but usually has a longer waiting period of 60 to 180 days. Benefits are typically calculated as a percentage of the insured's pre-disability income, often 50 to 70 percent. The priest should review whether the temple provides any disability coverage as part of his employment benefits before purchasing individual coverage.

Automobile insurance requires special attention given the priest's extensive driving for business purposes. Standard personal auto insurance policies often contain exclusions or limitations for **commercial use**, which refers to using a vehicle primarily for business purposes rather than personal transportation. If the priest's policy excludes commercial use and he is involved in an accident while driving to perform a ceremony, his claim could be denied. He should contact his insurance agent to verify his coverage status and, if necessary, add a **business use endorsement** (a modification to the policy that extends coverage to business driving) or obtain a **commercial auto policy** designed for business vehicles.

The priest should also ensure he carries adequate **liability coverage**, which pays for damages the policyholder causes to others, including their medical bills, lost wages, and property damage. Texas requires minimum liability coverage of \$30,000 per injured person, \$60,000 per accident for all injuries, and \$25,000 for property damage. However, these minimums are widely considered insufficient for serious accidents. Financial advisors typically recommend liability limits of at least \$100,000 per person and \$300,000 per accident. Additionally, **uninsured/underinsured motorist coverage** protects the policyholder if they are injured by a driver who lacks adequate insurance.

An **umbrella insurance policy** provides an additional layer of liability protection that sits above the limits of the priest's auto and homeowner's insurance. If the priest causes a serious accident resulting in

damages that exceed his auto policy limits, the umbrella policy would cover the excess amount up to its own limits, which are typically \$1 million or more. Umbrella policies are relatively inexpensive given the substantial protection they provide, often costing only a few hundred dollars annually.

Finally, the priest should ensure proper **estate planning documents** are in place. A **will** (also called a **last will and testament**) is a legal document that specifies how a person's assets should be distributed after death and names an **executor**, the person responsible for carrying out the will's instructions. Without a will, the priest's assets would be distributed according to Texas **intestacy laws**, which are default rules that may not align with his wishes. A **durable power of attorney** is a document that authorizes another person (the **agent** or **attorney-in-fact**) to make financial decisions on the principal's behalf. The word "durable" means the authority continues even if the principal becomes incapacitated. A **medical power of attorney** similarly authorizes another person to make healthcare decisions, while a **living will** (also called an **advance directive**) specifies the person's wishes regarding end-of-life medical treatment. Together, these documents ensure the priest's wife can act on his behalf and that his intentions are honored.