

The Benefits of Being Paid Legally

Legal Pay Pays Off: Why Household Employees Should Ask to Be Paid "On the Books"

A Complimentary Resource from
Breedlove & Associates

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The nanny profession provides higher salaries than any other segment of the childcare industry – daycare, in-home childcare, pre-school and sometimes teaching. Each of these forms of childcare is "on the books". Nannies are professionals in high demand, and salaries should come with the benefits of being legal.

Why Being Legal is Being Smart

The benefits of being legal are numerous, and you really can't afford to be without them. As a professional, you should expect nothing less. Once you take a look at the benefits, you'll agree that being legal is the way to go!

- **Employment History.** Being legal creates an employment history that is critical to daily life. If your employment is not documented, it is as if you do not work. An employment history is required for a car loan, a mortgage, a student loan, a credit card application, a health insurance application, an auto insurance application, future job applications, and the list goes on.

A Real Life Example: Jill earns \$2,000 per month as a nanny but is paid illegally. She and her husband applied for a mortgage on their first home. They did not qualify without her income. In order to qualify, Jill had to put her salary "on the books" and wait 6 months before submitting a new loan application.

- **Unemployment Insurance.** When paid legally, you are entitled to receive approximately 50% of your salary for up to six months if you lose your job due to no fault of your own. This benefit is free to you, as your employer pays the cost of the program.

A Real Life Example: Jane lost her \$500 per week job as a nanny when her family had a job-related move across the country. Jane receives \$250 per week in unemployment insurance benefits while she looks for a new job.

- **Social Security/Medicare Benefits.** For many, taking advantage of these benefits is years away, but consider these tax withholdings as a good investment.

A Real Life Example: Barb earns approximately \$30,000 per year. During her career she contributes about \$40,000 to Social Security. At age 65, she will receive approximately \$175,000 in Social Security benefits during retirement, assuming she lives until age 85. That's almost 5 times the amount she contributed during her working years! That's a tremendous investment.

- **Disability Benefits.** In many states, you pay State Disability Insurance as a part of the taxes withheld from your pay. If you must take time away from work due to non-occupational illness or maternity leave, you are entitled to benefits while you are away from work.

A Real Life Example: Maria is a full-time nanny and is expecting a baby. Maria is planning to take several weeks of maternity leave. Her employer plans to hire a temporary nanny while she is away and cannot afford to pay Maria during her leave. Maria plans to file for disability benefits to assist her during maternity leave.

Negotiating Salary

Negotiating salary "on the books" can have a positive result, if you are prepared. Your employers are professionals and are used to negotiating before-tax salaries, not take-home salaries. Here's an example:

Gross Salary: (\$26,000/yr)	\$1,000/bi-wkly
Social Security & Medicare	(\$ 76.50)
Federal Income Tax	(\$ 82.50)
State Income Tax	(\$ 25.38)
Total Withholding	(\$184.38)* approx. 20% of gross salary
NET PAY	\$815.62

*Depending on your salary, filing status and the state you live in, your total withholdings may be slightly higher or lower than 20% of gross salary, but 20% is a good rough estimate.

**Being legal is not only the law, it also provides great benefits — which every professional deserves.
For more information, visit breedlove-online.com or call us at 1-888-273-3356. We're here to help.**

