

Hiring a Caregiver: Not an Easy Task!

If you need to employ outside help in your home, tax rules will apply.

by Alexandra Armstrong, CFP®, CRPC® & Christopher Rivers, CFP®, CRPC®



We are blessed to celebrate the 40th year in business for our financial planning firm this year and we're fortunate to still work with a number of clients who started with us back then. Given the years that have passed, we're spending more time than ever focusing on issues surrounding senior living, caregiving and how we can help

clients age comfortably.

It occurred to us that many of our readers are or will be facing the same issues, including the decision to age in place or move to a community with assisted living capabilities. In this issue we'll focus on some considerations related to hiring an in-home caregiver. In the next issue, we'll explore the factors involved in moving to a retirement community.

Of note, while we focus on home health care in this article, many of the tax and employment regulations apply to child-care providers and housekeepers as well.

Although in many cases a move to a retirement community in retirement is the right choice, recent studies indicate that 90% of people prefer to age in place. Whether or not this is the best decision for all involved, we've seen our clients and even our own families prefer not to move. And if they make this choice, then eventually most are going to need help.

Hiring someone to care for a loved one can be daunting. Often the older person may be resistant to having someone else in her home as she might consider it an invasion of privacy as well as a portent of pending mortality. So it's important you find someone who is not only competent but also compatible with the one who needs assistance.

Furthermore, once you've hired a caregiver with whom you're comfortable, there are tax and employment regulations that can be tricky to navigate. Our goal is to offer you an overview of the process and to point you toward resources that can help in your specific situation.

WHAT TYPE OF CARE IS NEEDED?

The first step is to walk through what services and level of care are needed. To start, make a list of daily activities that might require assistance. These generally fall into the categories of personal care (bathing, dressing, eating, etc.), household care (cooking, cleaning, laundry, etc.), health care (driving to doctor's appointments, coordinating medication, etc.), and emotional care. The agency or

caregivers you interview will help you assess your needs and provide guidance on what range of services and hours will be required.

AARP's website includes a Family Caregiving section with links to a number of checklists and needs assessment worksheets that can help you in planning for care.

CHOOSING AN AGENCY OR CAREGIVER

For in-home care, you have the choice of hiring someone on your own or through an agency. The cost of agency home care ranges between \$18 and \$35 per hour depending on where you live and the type of care needed. The more credentialed the caregiver is, the more expensive the care will be. Hiring someone privately can save you money since you don't have to pay the agency, but there are risks and additional responsibilities that accompany these savings.

The first step when selecting an agency is to talk to friends and family who have been through a similar experience, just as you would when selecting any adviser. Ask them to refer you to an agency they would recommend.

If you don't have a referral, or if you want to explore additional alternatives yourself, two good resources are **Medicare's Home Health Compare** and the federal government's **Eldercare Locator** site (see *Websites of Interest*). Both sites allow you to search by ZIP code and to narrow in on the services you need. Medicare's site also includes patient reviews, in the form of star ratings. Eldercare Locator gives you the option of speaking to a trained counselor in person, free of charge.

Once you have selected an agency you should arrange an in-person interview. They should be helpful making recommendations for what kind of help you might need since this is their area of expertise. And in fact, not only are you interviewing them, they're interviewing you to see if it's a good fit. They want to see where the person will work, who they'll be working with and their duties.

BACKGROUND DOCUMENTATION

When hiring a caregiver, it's important to interview, collect documentation and run a background check on the candidate, just as you would if you were hiring an employee. The potential caregiver should provide a copy of her driver's license, insurance card, Social Security number (or ITIN if she doesn't have a Social Security number), as well as Form I-9, which verifies her employment eligibility. This is also the time to ask about prior experiences and collect references. If you are working with an agency, they will do this screening for you.

If hiring outside of an agency, you should also run a



background check for any criminal history, which can be done via [Care.com](#) or other online services. Checking with prior employers is important, as embezzling by caregivers, particularly of seniors, is a real problem.

Once hired, the caregiver should provide you with a completed W-4 Form and state withholding form, instructing you on how much income tax to withhold from her pay. (We realize your caregiver may be male but we're assuming female for the ease of writing this article.)

EMPLOYMENT CONTRACT

As with any arrangement with professionals, we recommend a written contract to prevent ambiguity. If you're using an agency, they'll have their own contract for you to sign. A typical employment contract will state the responsibilities and job description, what hours are expected and how items like meals, transportation and free time will be treated. This is particularly important if the caregiver lives with the family full-time, as compensation and overtime rules differ for domestic employees who reside in the home.

TAXES

If you use an agency, typically they bill you weekly and will pay the caregivers and their taxes. If you choose to employ the caregiver personally, then you'll have several tax obligations throughout the year:

- **Provide the caregiver with Form W-4** to indicate how much federal income tax will be withheld from each paycheck.
- **Withhold payroll taxes** (the employee's share of Social Security and Medicare) from their pay.
- **Pay employer taxes** (your share of Social Security, Medicare and unemployment tax).
- **Provide the caregiver with Form W-2** by the end of January of the following year.
- **File Copy A of Form W-2** with the Social Security Administration (or Form W-3, if you have more than one household employee), as well as the state taxing authority.

In addition, you will likely need to file state tax forms, which vary state-by-state.

When you file your own tax return, you'll be required to include Schedule H, in order to report that you've withheld the taxes noted above for a household employee. Of note, if you pay the caregiver less than \$2,600 for the tax year 2023, neither the employee nor the employer are required to withhold for Social Security and Medicare. This amount typically increases annually for inflation.

INSURANCE

According to the Journal of Accountancy, the home health industry has reported injury rates "70% higher than the national average for all occupations." (Journal of Accountancy, September 2016) It's crucial to protect yourself against this risk with an umbrella liability policy. Umbrella policy rates are typically affordable and cov-

erage is often easiest to put in place with your existing home and auto insurance carrier. This policy will protect you in the event of an injury or other accident involving your household employee.

AID IS AVAILABLE

According to Care.com, the Internal Revenue Service estimates the average family can expect to spend 50-55 hours per year managing the tax and general payroll process of compensating the caregiver. For those who choose not to use an agency, but don't want to do the tax work, there are companies that provide this service for a reasonable fee.

CONCLUSION

We admit we're somewhat prejudiced to recommend you use an agency to provide caregiving if you can afford to do so. Just like using any other professional to help you, caregiving is their area of expertise and they're there to make your life easier. Also it's their reputation that is on the line. The ease of using an agency can outweigh the significant time and financial burden that comes with management of the care on your own. Most agencies take care of the tax-filing obligations as well as filing for long-term care insurance reimbursement. In addition if the caregiver provided is not a good fit personality-wise or is sick, the agency can provide you with another caregiver.

But we realize that some prefer to hire on their own. In either case, it's crucial to remain involved and take a collaborative approach to the relationship. While you may not be providing care for your loved one, you should be their No. 1 advocate.

Websites of Interest

Medicare Home Health Compare
www.medicare.gov/care-compare/?providerType=HomeHealth&redirect=true
Eldercare Locator
<https://eldercare.acl.gov/Public/Index.aspx>

Alexandra Armstrong is a CERTIFIED FINANCIAL PLANNER™ professional and Chartered Retirement Planning CounselorSM and founder and chairman emeritus of Armstrong, Fleming & Moore, Inc. Christopher Rivers, a CERTIFIED FINANCIAL PLANNER™ professional and Chartered Retirement Planning CounselorSM and co-author of this article is a principal of Armstrong, Fleming & Moore, Inc., located at 1800 M St. NW, Suite 1010-S, Washington, D.C. 20036-5813, 202/887-8135.

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