

# Your Guide to Hiring a Nanny

What you should know about the hiring process, paying your employee, and creating a healthy work environment



# Introduction

## How to Hire a Nanny the Right Way

Hiring a nanny will be one of the most important decisions you'll make as a parent. You're not only trusting this caregiver to look after your children, but you're also bringing someone into your home for 20, 40 or maybe even more hours a week.

Even though you may not have a lot of time – after work and family obligations – to put into hiring a nanny, this is a decision you'll want to get right. And, after finding a nanny, you'll have payroll, tax, and insurance obligations.

In this guide, we lay out the steps on how to hire a nanny; pay them the right way; and maintain a strong, healthy relationship with your employee.

## GTM Payroll Services – Your Household Employment Partner

GTM Payroll Services is here to support you every step of the way. We've been helping busy families remove the risks, hassles, and worries of household employment for more than 30 years.

Once you find the right nanny for your family, we'll take on all the administrative hassles of having an employee so you don't need to. We've helped tens of thousands of families navigate nanny taxes, payroll, compliance issues, insurance obligations, and more. Our team of certified payroll professionals, licensed insurance brokers, household employment tax specialists, provide unlimited support and expert advice.

Through this guide, we will reference findings from GTM's recent surveys of household employers and nannies.

### Did you know?

In 1991, GTM created an industry, becoming the first firm ever to manage household payroll.

Today, we support more than 44,000 employees and process over \$1 billion in payroll every year.



# Preparing a job description

Since you're looking for someone to care for your children, you'll want to take your time and make the right decision. Prepare to spend four to eight weeks on finding a nanny.

## Determine what you want in a nanny

Some considerations include knowledge of basic first aid and CPR, background in early childhood education, college degree, and years of experience.

## List other duties and expectations

What else do you need your nanny to do besides caring for your children? Do you expect them to do laundry, clean the house, and/or prepare dinner? If so, you may be seeking a nanny/housekeeper. Qualified caregivers may disregard your job opening if many of those additional duties are attached to the position.

## Establish a budget

The more skills, education, and experience you want in the nanny, the more you'll pay in an hourly rate. Besides qualifications you'll also want to factor location, number of children, ages of your children, paying time-and-a-half for overtime hours, cost of backup care when your nanny takes time off, benefits such as health insurance, bonuses and raises, employment taxes, and workers' compensation insurance.

## Compose a detailed job description

Put your nanny qualifications, duties, and expectations in writing. Be sure to also include a summary of functions; qualities you want in a nanny; education level; desired years of experience; special skills like art, music, or a second language; full- or part-time; live-in or live-out; hours and schedule; pay rate; benefits and paid time off; location of job; and ages, number, and genders of your children.

### Making a match



The top four qualities families seek in a nanny are responsibility/trustworthiness, personality fit, passion for childcare and references.



When looking for a job, the top three qualities that nannies look for in a family are trustworthiness, personality of the family, and rate of pay.

# The hiring process

The time and preparation you spend during the hiring process will pay great dividends down the road with a confident, comfortable, and engaged nanny caring for your children.

### Spread the word

When hiring a nanny, you could start by asking friends, neighbors, family members, and work colleagues as well as posting to local parent groups and message boards. Online job sites will have the most candidates, but you'll be left doing all the work and spending a lot of time sorting through unqualified job seekers. A placement agency does much of the legwork like vetting candidates and conducting background checks. They'll have a pool of qualified applicants ready for you to review, which can save you time.

### Review applicant resumes

A nanny's resume should include a list of families they've worked for and dates of employment. It may also show education, certifications, and related experiences like jobs they worked in a daycare center or school. Cut your applicant list to about 10 viable candidates.

### Begin screening candidates

Start with a phone or video call to get some sense of their communication skills and professionalism. Ask questions about their experience, why they are interested to your position, and what they're looking for in a job to get a sense of their fit for your opening. Call screening should reduce your list to four or five candidates.

### Meet for face-to-face interviews

Interviews don't need to be conducted in your home. You and your candidate may feel more comfortable meeting in a public location like a coffee shop. Ask open-ended questions and let your applicants do most of the talking. Look for professionalism, temperament, and communication skills. Make sure their views on discipline, education, and child raising align with yours.

A prepared list of interview questions can help you keep the discussion on track and ensure all questions and topics are covered. This also allows you to make fair and accurate comparisons by reviewing your candidates' answers to the same questions. Here's a list of more than 40 interview questions to get you started: <http://bit.ly/40InterviewQs>.

#### Hiring through an agency v. online job site



It may seem efficient to hire a nanny from an online job site. However, 71% of families that hire through a nanny agency spent less than 20 hours on the hiring process compared to only 33% of families that hire from an online job site.

In fact, 67% of families that found their nannies on a website spent more than 20 hours on the hiring process.

# The hiring process continued...

**You're in the home stretch! Some critical steps remain that will help you select the best candidate for your position.**

### Invite your best candidates to your home

Invite the best two or three candidates to meet and interact with your children. Does the candidate seem comfortable in your home? How are they with your children? Are they polite, caring, and professional? Do they seem engaged with your children? Watch and facilitate interactions then give them space. Try to observe or listen in from another room.

### Check references

Start checking references when you're down to one or two candidates. References should be former employers and not relatives or friends. Ask past nanny families about your candidate's reliability, communication skills, performance issues, and handling of certain responsibilities. Confirm the dates when the nanny worked for the family. They should match her resume.

### Conduct a background check

A background check may not uncover all red flags but could provide information that will disqualify a candidate from consideration.

Background checks should include driving record, social security, credit history, criminal convictions, drug testing, and sex offender registries. Your candidate's professional licensing and higher education degrees should also be verified.

### Review their digital footprint

Conduct a web search and check popular social media sites. You could find provocative or inappropriate images, evidence of drinking or drug use, disparaging words about a previous employer, or discriminatory comments that would lead you to reject a candidate. On the other hand, you could find evidence that supports their job qualifications, a professional online persona, and a personality that fits your family.

#### Get ready to interview



66% of families interviewed at least three applicants before hiring a nanny.

# Making an offer

The references and background check on your preferred candidate come back with no red flags. They check all (or most) of your boxes and you're ready to make a hire.

### Extend an offer

When making a formal offer, confirm hours, schedule, and pay rate. Your hourly rate should be based on gross pay, which is the total amount your nanny will make before taxes and other deductions are taken out of their pay. If your nanny wants to negotiate their pay rate, always talk in terms of gross pay. This will give you a sense of your employer tax obligation instead of having to "gross up" your nanny's net or take-home pay.

### Prepare a work agreement

Use your job description as the basis of your work agreement. Be clear on duties and responsibilities to reduce the likelihood of issues and misunderstandings. Include hire date, work hours and schedule, duties, wages, pay schedule, benefits, paid time off, sick days, paid holidays, reimbursements (gas, mileage etc.), and a non-disclosure agreement or confidentiality clause. You and your nanny should sign the agreement and have it in place before their first day.

### Take care of paperwork and nanny taxes

As an employer, you'll need to get a federal employer identification number and file a new hire report with your state. Your employee will need to complete Form I-9 to prove their identity and authorization to work in the U.S.

How you will manage payroll and nanny taxes? You can do this yourself, have your accountant handle it, or sign up with a nanny tax and payroll service. If you're doing this yourself, be aware of federal and state tax and payroll laws so you remain compliant and avoid possible fines and penalties.



# Negotiating pay

Before discussing money, you'll need to understand the difference between gross pay and net pay.

## What the law says

Federal law says that household employees are non-exempt, which means they are paid an hourly rate and not a salary.

They are also paid at least minimum wage based on the highest amount of federal, state, or local rates and receive overtime pay of time-and-a-half for hours worked over 40 in a week. There may be some exceptions to the overtime rule for live-in employees in your state.

## Determining your budget

You likely have an hourly rate in mind that you'd be comfortable paying your nanny. When determining your budget, keep in mind your tax responsibilities that need to be paid on top of your employee's pay. You may also need to pay for workers' compensation insurance.

## Gross pay

This is the pay for your nanny or household employee before taxes are withheld. You should always discuss pay in terms of the gross amount that your nanny will earn. Make this clear to employee so there is no confusion on pay day.

## Net pay

Sometimes referred to as "take home" pay, this is the amount of money your employee receives after taxes have been withheld. Your nanny may be more interested in their net pay. You can figure this out by using GTM's nanny tax calculator at [bit.ly/GTMCalc](https://bit.ly/GTMCalc).

### Benefits of paying legally



Paying your nanny on the books will attract more and higher-quality candidates to your position. 61% of nannies said it was at least somewhat unlikely they would take a job that didn't pay them legally.



You'll also work with a happier employee and avoid fines and penalties for being non-compliant with tax, wage, and labor laws. It all adds up to peace of mind.

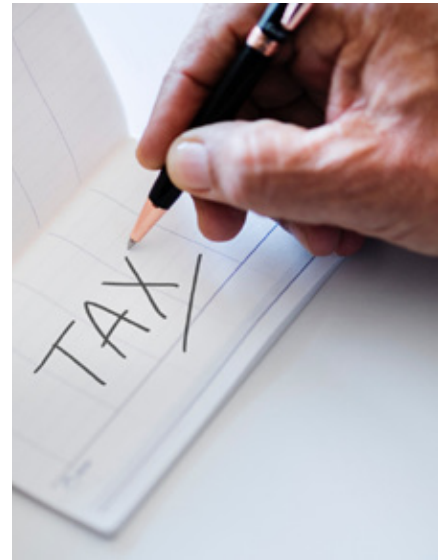


For your nanny, they have a verifiable income and legal employment history when applying for a loan, mortgage, or a credit card. They also receive unemployment and worker compensation benefits and may be eligible for a subsidy on the health care marketplace.

# 14 steps to nanny tax compliance

**Mistakes or misinterpretations of the law can mean IRS audits, thousands of dollars in fines and penalties or an employee lawsuit.**

- 1.** Obtain household employer tax IDs (federal and state).
- 2.** File a new hire report with your state (if necessary).
- 3.** Purchase workers' compensation insurance (if required in your state).
- 4.** Adhere to all applicable tax, wage and labor laws that pertain to household employment such as a Domestic Workers' Bill of Rights.
- 5.** Verify your employee's social security or tax identification number and complete Form I-9 for employment eligibility.
- 6.** Calculate employee tax withholdings.
- 7.** Prepare and distribute paystubs (even if paying electronically or by direct deposit).
- 8.** File and remit quarterly state employment taxes.
- 9.** File and remit quarterly federal taxes using Form 1040-ES.
- 10.** Prepare and distribute Form W-2 to your employees by January 31 (for previous year's taxes and wages).
- 11.** File Copy A of Form W-2 and Form W-3 with the Social Security Administration by January 31.
- 12.** Prepare Schedule H and file with your federal income tax return (Form 1040).
- 13.** Read and respond to government notices or alerts.
- 14.** Monitor changes to tax, wage and labor laws that could potentially affect household employment.





# Reducing your tax burden

## Dependent Care Assistance Program/Flexible Spending Account

You can reimburse your dependent care expenses (such as your employer taxes or a portion of your nanny's pay) with pre-tax funds through your employer-sponsored Dependent Care Assistance Program (DCAP) or Flexible Spending Account (FSA).

If your employer offers a plan, you can set aside up to \$5,000 per year of tax-free money and reduce your taxable income. Check with your company's human resources department to see if there is a program available to you.

## Child and Dependent Care Tax Credit

You can take advantage of the Child and Dependent Care Tax Credit – regardless of your income level – on your personal income tax return. You can claim up to \$3,000 of qualifying child care expenses (such as your nanny's pay) paid in a year for one qualifying individual or \$6,000 for two or more qualifying individuals.

The 20 percent credit on these expenses can save you \$600 for families with one child or \$1,200 if you have two or more children.



# How to keep your best employees

Hiring a nanny is a time-consuming process and changing nannies can be disruptive to your family. So when you find an employee you and your children like and is doing a good job, you'll want to do everything you can to keep them.

## 6 steps to creating a healthy work environment

### 1. Establish clear expectations

Talk through all job responsibilities and expectations. Your nanny's duties and obligations should also be plainly stated in their work agreement.

### 2. Lay out your house rules

Your house rules may include limits on screen time, nutrition choices, what TV shows or movies are appropriate, permissible activities, and more.

### 3. Tackle problems early

It's better to get any issues resolved early on. Spend more time finding a solution and less time letting tensions build. Calm, productive discussions will lead to a stronger relationship.

### 4. Set a routine for daily and weekly recaps

A daily recap can be a written note of your nanny's day with your children. Then have a 10- to 15-minute talk. Obviously, serious concerns should be discussed right away.

### 5. Listen as much as you talk

Let your nanny express herself, ask questions, and raise issues. Be empathetic and open-minded, see things from her perspective, and work together to find solutions.

### 6. Have a purpose for every conversation

Focus on one topic per conversation – and repeat your agreed upon conclusion – before moving on to something else. If your nanny makes a mistake, avoid piling on the criticism.

#### What a nanny wants



The top three qualities a nanny wants from a family are:

- Open and honest communications
- Appreciation for the work they do
- Trust in their nannying skills

Keep this in mind as you interact with your nanny. Remember you've hired a professional and they should be treated as one.

## Retaining Your Nanny

# Benefits for your nanny

In a recent survey of nannies, “poor benefits” was what they liked least about their profession. Offering benefits is a great way to attract top talent to your job opening and keep your best employees working for you.

Most nannies receive paid holidays, paid vacations, and paid sick days. Use that as a starting point.

### Other benefits to consider:

**Health, dental, and vision insurance** – Plans can be surprisingly affordable. A healthy nanny means fewer sick days and less time scrambling for back-up care when your nanny is ill and can't work.

**QSEHRA/ICHRA** – A Health Reimbursement Arrangement (HRA) are employer-funded accounts that employees can use to be reimbursed tax-free for qualified medical expenses. HRAs are a better option than giving your employee a stipend, which is considered taxable income.

**Retirement plan** – Help your employee build a retirement income with a SIMPLE 401(k) plan that offers tax savings, matching employer contributions, flexibility on deferral amounts, and transferability to an IRA if the employee changes jobs.

#### GTM can help



We can set up health insurance plans, HRAs, FSAs, and retirement

plans. They'll be tied into your payroll so it's all seamless for you and your employee.

Call (800) 929-9213 or email [HouseholdPayroll@GTM.com](mailto:HouseholdPayroll@GTM.com) to learn more.



# How to Hire a Nanny

## A must read for anyone hiring a nanny

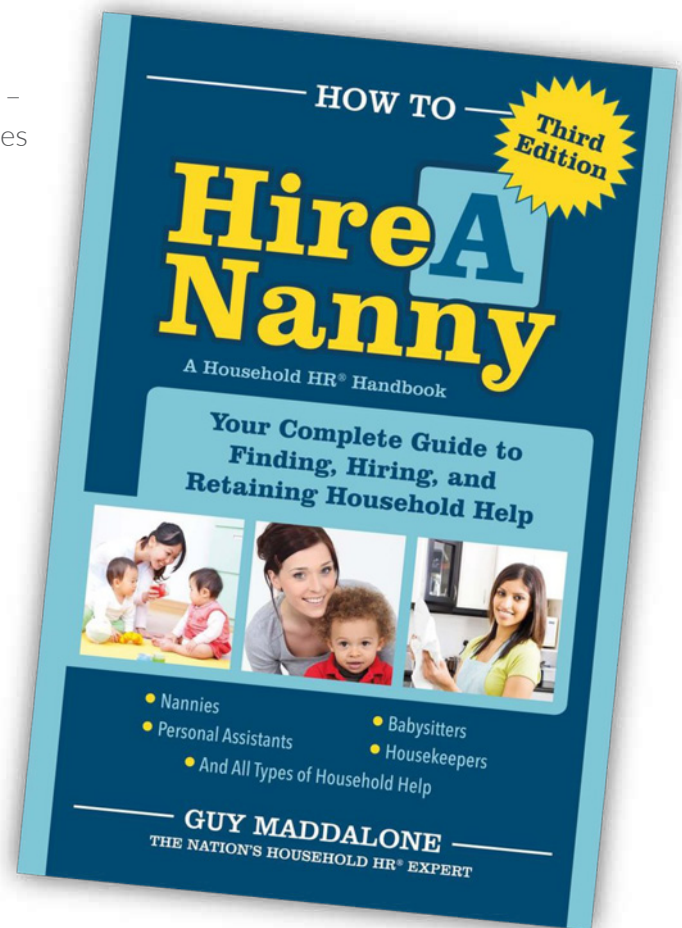
*How to Hire a Nanny: Your Complete Guide to Finding, Hiring, and Retaining Household Help* lays out the roadmap and gives practical advice for hiring a nanny, determining wages, creating a work agreement, handling payroll and taxes, retaining your best employees, and much more.

It's a must read for anyone who has hired or plans to hire household help.

Author Guy Maddalone, founder and CEO of GTM Payroll Services and widely-recognized as the nation's foremost household employment expert, relies on his 30+ years of experience in the household employment industry to provide answers to the pressing questions facing families hiring in-home help.

This valuable guide is available for purchase on Amazon.com at [bit.ly/hirenanny](http://bit.ly/hirenanny).

You can also download two complimentary chapters – “Managing Payroll and Taxes” and “Determining Wages and Scheduling Hours” – at [bit.ly/nannychapters](http://bit.ly/nannychapters).



# Why GTM Payroll Services

The IRS estimates that it takes a household employer 60 hours each year to comply with all federal and state tax laws. Managing household payroll and taxes is time consuming and may seem overwhelming and confusing. That's where GTM Payroll Services comes in.

We help remove the hassles, worries, and risks of household payroll to give you peace of mind and more time in life for the things you enjoy.

Call **(800) 929-9213** for a free, no-obligation consultation with a household employment expert.

## Quick and easy nanny tax and payroll

- Set your payroll once and forget it
- Payroll automatically processes based on standard hours
- Wages, deductions, and withholdings are auto-calculated
- Easily adjust hours or pay online at your convenience

“Made the process easy and straightforward.”  
— Gabriel S.

## Comprehensive services

- Free direct deposit
- Taxes filed on time, every time – 100% guaranteed\*
- Signature-ready tax returns
- Optional year-end tax prep that includes Schedule H, W-2 and W-3
- Workers' compensation insurance
- Health insurance, 401k plans, and other employee benefits

“Their customer service was always exceptional.”  
— Wesley F.

## Superior level of support

- Concierge-level client support
- Household employment experts ready to answer any question
- Unlimited support calls, emails, and live chats

“GTM has taken all the hassle out of payroll. I trust them completely.”  
— Michael S.

## Secure online access

- Account access via web or mobile device
- Enter employee hours from anywhere
- Highest levels of data security
- Self-service employee dashboard with access to pay stubs and W-2s

“GTM just makes it easy.”  
— Kristin B.

“Can't say enough. Seriously do an outstanding job.”  
— Charlotte G.

\* **OUR GUARANTEE:** If you receive a notice from the IRS, or any other tax agency, based on a filing that GTM Payroll Services made, we'll work with the agency on your behalf to resolve the issue. If we're at fault, we'll pay all the associated penalties and fines.

# GTM<sup>®</sup>

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PAYROLL & HR

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