**Retirement Benefits for Domestic Workers**

**BY**[**GTM MARKETING**](http://gtm.com/household/author/gtm_house/)**/  THURSDAY, 11 JUNE 2015 /  PUBLISHED IN**[**GTM BLOG**](http://gtm.com/household/category/gtmblog/)

Retirement plans are a standard part of U.S. corporate employee benefit packages. While not legally mandated to offer nannies or other domestic workers a retirement plan, household employers may consider doing so in order to attract and retain the best employees. If a retirement plan is offered, the employer must comply with IRS tax requirements and administrative requirements as set forth in the [U.S. *Employee Retirement Income Security Act*](http://www.dol.gov/compliance/laws/comp-erisa.htm)(ERISA). Two popular options for retirement benefits for domestic workers are the [*Individual Retirement Account*](http://www.irs.gov/Retirement-Plans/Individual-Retirement-Arrangements-%28IRAs%29-1)(IRA) and the[*Roth IRA*](http://www.irs.gov/Retirement-Plans/Roth-IRAs). Both are fairly simple programs to establish as an employee benefit, and therefore, suitable as a household employee benefit.

An IRA is a special savings plan authorized by the federal government to help people accumulate funds for retirement. Traditional IRAs and Roth IRAs allow individual taxpayers to contribute 100% of their earnings up to the IRA’s plan-specified maximum dollar amount. Each year, the IRS sets maximum annual contributions for IRAs, with *catch-up*contributions by contributions for people ages 50 and over. For 2011, maximum contributions are $5,500, with an additional catch-up of $1,000 for those ages 50 or older.

Traditional IRA contributions may be tax deductible, whereas Roth IRA contributions are not. Roth IRA principal and interest accumulate tax-free. A Roth IRA usually is preferred by those ineligible for the tax deductions associated with the traditional IRA or by those who want their qualified Roth IRA distributions to be tax- and penalty-free, which depends on all conditions being met. Some people prefer a Roth IRA as a means to simply build a retirement egg without the worry of paying taxes at a later date (Roth contributions have already been taxed).

A third option is to offer your nanny or other employee a 401K plan. Our SIMPLE 401K Plan offered through the [National Household Employers Association](http://www.thenhea.org/) (NHEA)  will not only give you a recruiting advantage over other families without a 401K plan and a retention tool for your employee, but it will also help your employee build an excellent source of retirement income and experience the benefits of tax-deferred growth.

Key features of the NHEA Domestic Workers Retirement Plan include (effective January 1, 2015):

* **Tax-savings:** Household employees have the potential for a pre-tax savings via payroll deferral of up to $12,500; those 50+ years old can invest another $3,000 as a catch-up contribution
* **Flexibility:**Household employees have the option to modify deferral amounts
* **Employer contributions:** Family/employer MUST make a mandatory contribution on a dollar for dollar match basis up to 3% of the employee’s gross pay, which can be used to reward and retain valuable household workers
* **Self-direction of investments:** Household employees have the ability to self-direct their investments from a list of monitored, low-cost mutual funds
* **Employee support:** Household employees have access to advisors who can provide them with one-on-one advice
* **Transferability:** If household employee changes families, but the new family continues to use GTM Payroll Services, that family can adopt the NHEA plan and continue 401K contributions OR household employee can roll the money to another qualified retirement plan or individual retirement account (IRA)